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C O N F I D E N T I A L SECTION 01 OF 02 MANILA 001213

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DEPT FOR EAP/MTS
STATE PASS TO USTR FOR BWEISEL AND DKATZ
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E.O. 12958: DECL: 03/17/2016
TAGS: [ECON](#) [ETRD](#) [CASC](#) [RP](#)
SUBJECT: DAVAO EAGER FOR INVESTMENT, CALLS FOR REMOVAL OF
TRAVEL WARNING

REF: MANILA 0526

Classified By: ROBERT LUDAN FOR REASONS 1.4 (B) AND (D)

11. (SBU) Summary. The economy is growing in Davao City according to local business contacts and the City Mayor's office, despite the claimed dampening effect of the State Department's travel advisory on the overall business climate.

Although the banana industry suffered setbacks in 2005 (septel), tourism is growing rapidly and U.S. business contacts were generally optimistic about the economy and the investment climate. Since the beginning of 2006, the Foreign Commercial Service has also seen an increased interest by U.S. companies wishing to sell to the Davao/Mindanao market, particularly to agribusiness operations. Businesses did not report any concerns about peace and order, noting that Mindanao is a huge island and Davao, which is far removed from areas controlled by Muslim insurgents, does not have any problems. Both local government and business contacts requested that the State Department reconsider the current travel advisory to more accurately reflect the situation. The Office of the Mayor reported that Davao is one of the most competitive cities in the Philippines for investment. Though corruption is present, according to surveys, and may be on the rise, "safety and security" contribute to Davao's competitiveness. The Mayor's office, on that basis, still rationalizes its support of extra-judicial killings. End Summary.

12. (U) In a February 23 meeting, Attorney Wendel Avisado, City Administrator for the Office of the Mayor in Davao City, told Econ officers that the City of Davao is working hard to create an attractive investment climate by focusing on creating more dynamism and general openness. Avisado was quick to add that Davao is among the top-ranked competitive cities for investment according to various comparison studies, which includes a high rating from the well-respected Asian Institute for Management. Agriculture has long been the biggest business sector in Davao, but the city is now seeing growth in the tourism industry, particularly as a preferred conference and convention location. Most recent investment is "homegrown," but the local economy is "slowly, but surely" growing. Avisado admitted that there is an escalating trend of corruption in the city, but that when the Social Weather Station (SWS) released the results of its latest study, the Mayor did not hesitate to completely overhaul the entire Business bureau to address the problem. (Note: The Social Weather Station, a highly reputable NGO funded by USAID and the Asia Foundation, reported at least a 10 percent increase in solicitation of bribes for most government services from 2004 to 2005 in Davao City, compared to two to three percentage points for metro Manila. However, in a March 2 briefing, SWS President Mahar Mangahas said that

while the Mayor of Davao had fired the entire Business Bureau, a number of former members were then rehired and placed in other agencies. End Note).

13. (U) City initiatives to attract investment include an economic emergency plan designed to increase investor confidence. Avisado said that Davao's "911" system is the best in the Philippines and it only takes a few minutes to receive assistance. The City also has the Davao City Investments Incentives Group, which provides tax exemptions for the initial three-year investment period in preferred sectors; these incentives are in addition to national incentive programs. Avisado pointed to one recent improvement in that now people can pay their taxes within 30 minutes when it used to take at least half a day. U.S. business interests present at the meeting expressed their appreciation for this improvement. Referring to these different programs, Avisado said "if it were not so, we could not be rated number one in terms of competitiveness."

14. (U) Avisado said that while business is increasing, overall growth is limited by the unfair travel advisories of the United States and the United Kingdom. According to Avisado, the threat is "really more imaginary than real, it's more dangerous in Manila than in Davao." He added that he does not know what the agenda is really about, but that the City is doing its best to show the world that Davao is safe and secure. Similar sentiments about the travel warning were relayed to us on several occasions by Davao Amcham representatives (Note: The group is not entirely representative of the U.S. business community in Davao, and many members are not actually U.S. citizens. End Note). All contacts advocated for a prompt removal of the U.S. travel advisory, which would greatly enhance the city's overall

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attractiveness to foreigners and foreign investment.

15. (C) Attorney Avisado said that one of the reasons Davao should be attractive to foreigners is that it is a very safe city. Alluding to the city's reputation for extrajudicial killings and the Mayor's support of such actions, Avisado said "the rule here is, don't monkey with the law, because when you do, you put your life on the line. We tell people that if you commit a crime, you will die. If you are going to kill innocents, we will kill you first." Avisado, aware of US policy that condemns extra-judicial actions by the Davao Mayor, added that the Mayor has held office for over 15 years and enjoys popular support, evidenced by his landslide win in the 2004 election. "There are no marches, no demonstrations, people are content. They support the Mayor." He added that the killings are always a political issue for the Mayor and joked that when the Mayor was last asked publicly about 800 reported killings, he responded "are you sure? I think it's a lot more than that." Avisado added that the people killed are really those with criminal records. Avisado said that "this is why we see a well-behaved community."

COMMENT

16. The U.S. business community in Davao is generally optimistic and eager to welcome new investment into the region. Nearly every person we talked to requested that the State Department reconsider its travel warning, which is perceived to discourage economic growth and investment. The Consular Section is scheduled to review the travel warning within the month. Human rights organizations and the USG, through its Human Rights Report, have widely criticized the hundreds of killings in Davao by suspected vigilante groups, but the city government does not appear willing to separate itself from these extra-legal practices.
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